GOVERNMENT OF INDIA
SMALL SCALE INDUSTRIES
LOK SABHA

UNSTARRED QUESTION NO:849
ANSWERED ON:28.11.2006
MSMED ACT, 2006
Singh Shri Prabhunath

Will the Minister of SMALL SCALE INDUSTRIES be pleased to state:

(a): the salient features of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 which became operational from October 2, 2006;

(b): the difference between manufacturing and service enterprises;

(c): the details of items reserved for micro, small and medium enterprises;

(d): whether it is mandatory for the Government to purchase these reserved items from these small and micro enterprises;

(e): if so, the details thereof;

(f): whether any purchase/price preference is also given to these small and micro enterprises;

(g): if so, the details thereof;

(h): whether any financial assistance is provided to unemployed graduate girls to set up micro/small enterprises; and

(i): if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF SMALL SCALE INDUSTRIES & AGRO AND RURAL INDUSTRIES (SHRI MAHABIR PRASAD)

(a): The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 seeks to facilitate promotion and development and enhancing competitiveness of these enterprises. It provides the first-ever legal framework for recognition of the concept of `enterprise` (comprising both manufacturing and services) and integrating the three tiers of these enterprises, namely, micro, small and medium. Apart from clear and more progressive classification of each category of enterprises, particularly small, the Act provides for a statutory consultative mechanism at the national level with wide representation of all sections of stakeholders, particularly the three classes of enterprises; and with a wide range of advisory functions. Establishment of specific Funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/programmes for this purpose, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and simplification of the process of closure of business by all three categories of enterprises are some of the other features of this legislation.

(b): The difference between manufacturing and service enterprises lies in their objective of operation, in that the manufacturing enterprises are engaged in the production of goods pertaining to any industry specified in the first schedule to the Industries (Development and Regulation) Act, 1951 whereas the service enterprises are engaged in providing or rendering the services.

(c)to(g): Under the provisions of Section 29(B) of the Industries (Development and Regulation) Act, 1951, certain products are reserved for exclusive manufacture by micro and small enterprises [equated by explanation 2 of Section 7 of the MSMED Act, 2006 with small scale industries (SSI)] . It is not mandatory for the Government to purchase these items from the micro and small enterprises. However, for providing purchase and price preference to the products of small scale industries, the Government is following a policy (non-statutory) which prescribes certain items as reserved for exclusive purchase from micro and small enterprises by the Ministries/Departments and CPSUs of the Government of India. Many State Governments, on their part, have also been enforcing certain purchase and price preference policies for assisting micro and small enterprises located in their states. Because of the non-statutory nature of these purchase/price preference policies followed by the Government of India and the State Governments and keeping in mind the reports about violations owing to their non-statutory nature, the MSMED Act, 2006 enables the Government of India and the State Governments to notify, from time to time, preference policies in respect of procurement of goods and services, produced and provided by micro and small enterprises by their Ministries or Departments, as the case may be, or aided institutions or public sector enterprises.

(h) & (i): The Ministry of Small Scale Industries and the Ministry of Agro and Rural Industries do not operate any scheme for specifically targeting unemployed graduate girls to enable them to set up micro/small enterprises, though they do encourage entrepreneurship

among women in general.